

Message Text

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NSAE-00 NSC-05 PA-01 AID-05 CIEP-01 SS-15 STR-04

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TAGS: EFIN

SUBJECT: JANUARY 19 DAC MEETING - AGENDA ITEM ON DEBT

REF: (A) STATE 003567; (B) STATE 302954; (C) 276685;
(D) 257428

1. THE FOLLOWING GUIDANCE IS PROVIDED IN CONNECTION WITH
AGENDA ITEM 5 "ORIENTATION OF FUTURE DAC WORK ON DEBT
PROBLEMS" AS CONTAINED IN DAC/A(76) 1 PREPARED FOR THE
JANUARY 19 MEETING.

2. REFTELS PROVIDE DETAILED USG VIEWS ON NETHERLANDS
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PROPOSAL FOR A DEBT MORATORIUM. WE BELIEVE IT ESSENTIAL

TO HAVE DAC (75) 51 AMENDED AS REQUESTED REFTEL (B). U.S. BELIEVES NETHERLANDS' PROPOSAL SHOULD BE DROPPED FROM FURTHER DISCUSSIONS IN OECD. DEBT ISSUE WILL BE DISCUSSED IN WP/FA FEBRUARY MEETING IN PREPARATION FOR UNCTAD. EXPECT DUTCH WILL CONTINUE TO RAISE ISSUE BUT IF PROPERLY HANDLED BY SECRETARIAT, DISCUSSIONS WOULD STOP THERE. WE ARE VERY CONCERNED THAT CONTINUED OECD CONSIDERATION OF MORATORIA IDEAS GIVES LDCS ERRONEOUS IMPRESSION OF SERIOUS DIVISION AMONG MAJOR CREDITORS ON THIS ISSUE, AND MAY GIVE GROUP-77 AND UNCTAD SECRETARIAT EXPECTATIONS WHICH CANNOT BE MET. IT IS MOREOVER TOTALLY INCONSISTENT WITH THE POSITIONS OF THE MAJOR CREDITORS AT THE SEVENTH SESSION OF THE UNCTAD COMMITTEE ON INVISIBLES AND FINANCING RELATED TO TRADE (CIFT). IT MAKES VERY LITTLE SENSE TO JUDGE GROUP-77 PROPOSALS FOR DEBT MORATORIUM "NON-NEGOTIABLE" AT THE CIFT AND THEN CONTINUE ACTIVE CONSIDERATION OF THE IDEA IN THE DAC. WE URGE YOU CONTACT DELEGATES FROM OTHER MAJOR CREDITOR COUNTRIES (UK, FRG, FRANCE, CANADA AND JAPAN) PRIOR TO MEETING AND SEEK JOINT EFFORT TO TERMINATE DAC FOCUS ON NETHERLANDS PROPOSAL. ISOLATION OF SWEDEN AND DUTCH ON THIS ISSUE MIGHT FACILITATE THIS OBJECTIVE.

3. WE SEE NO NEED TO UPDATE DAC/FA (74) 9 (1ST REVISION) WHICH WE BELIEVE ADEQUATELY REFLECTS CURRENT GENERAL VIEWS OF MAJOR CREDITORS.

4. REFTEL (A) PROVIDES USG VIEWS ON THE 7TH SESSION OF UNCTAD CIFT. IN DISCUSSING ISSUE, YOU SHOULD EMPHASIZE THE FOLLOWING POINTS:

-- WE BELIEVE IT ESSENTIAL TO MAINTAIN "CASE-BY-CASE" APPROACH TO ACUTE INDIVIDUAL DEBT PROBLEMS. WE ARE NOT REPEAT NOT PREPARED TO TAKE ANY ACTION BEYOND THAT RECOMMENDED IN THE REPORT OF THE AD HOC GROUP OF GOVERNMENT EXPERTS.

-- WE BELIEVE EFFORTS SHOULD BE MADE TO PERSUADE UNCTAD SECRETARIAT TO DOWNPLAY DEBT ISSUE AT UNCTAD IV.

-- THE USG DOES NOT SUPPORT A SPECIAL INTERNATIONAL DEBT LIMITED OFFICIAL USE

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CONFERENCE. WE BELIEVE IT WOULD ACCOMPLISH VERY LITTLE, AND COULD AFFECT ADVERSELY LDC CREDITWORTHINESS IN INTERNATIONAL CAPITAL MARKETS. MOREOVER, WE BELIEVE AN INTERNATIONAL CONFERENCE WOULD FOCUS ON DEBT RELIEF AS A MECHANISM FOR PROVIDING BALANCE OF PAYMENTS SUPPORT, AND WOULD UNDER EMPHASIZE KEY IMPORTANCE OF DEVELOPING COUNTRY RESPONSIBILITIES FOR AVOIDING DEBT PROBLEMS. WE ARE THEREFORE ENCOURAGED BY REPORTS THAT SOME LDCS MAY

BE HAVING SECOND THOUGHTS ON THIS IDEA. KISSINGER

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